



**CANTON TOWNSHIP  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001-2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CANTON TOWNSHIP  
STARK COUNTY**

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Canton Township  
Stark County  
4711 Central Ave. South  
Canton, Ohio 44707

To the Board of Trustees:

We have audited the accompanying financial statements of Canton Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

August 7, 2002

CANTON TOWNSHIP  
STARK COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash receipts:</b>					
Local taxes	\$161,558	\$1,173,275			\$1,334,833
Intergovernmental	447,280	340,571	\$515,577		1,303,428
Charges for services		92,758			92,758
Licenses, permits, and fees		18,065			18,065
Interest	24,474	2,745			27,219
Other	42,208	73,469		\$0	115,677
<b>Total cash receipts</b>	<b>675,520</b>	<b>1,700,883</b>	<b>515,577</b>	<b>0</b>	<b>2,891,980</b>
<b>Cash disbursements:</b>					
Current:					
General government	325,197	91,267			416,464
Public safety	9,472	757,041		12,000	778,513
Public works	100,000	582,031			682,031
Health	33,700				33,700
Miscellaneous		37,957			37,957
Supplies and materials		3,114			3,114
Capital outlay	17,138	219,849	515,577		752,564
<b>Total cash disbursements</b>	<b>485,507</b>	<b>1,691,259</b>	<b>515,577</b>	<b>12,000</b>	<b>2,704,343</b>
Total cash receipts over/(under) cash disbursements	190,013	9,624	0	(12,000)	187,637
<b>Other financing receipts/(disbursements):</b>					
Advances in		10,000			10,000
Advances out	(10,000)				(10,000)
Operating transfers in		20,000			20,000
Operating transfers out	(20,000)				(20,000)
<b>Total other financing receipts (disbursements)</b>	<b>(30,000)</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	160,013	39,624	0	(12,000)	187,637
Fund cash balances, January 1	170,722	425,082	(3,756)	12,000	604,048
<b>Fund cash balances, December 31</b>	<b>\$330,735</b>	<b>\$464,706</b>	<b>(3,756)</b>	<b>\$0</b>	<b>\$791,685</b>
Reserves for encumbrances, December 31	\$26,000	\$38,114	\$0	\$0	\$64,114

The notes to the financial statements are an integral part of this statement.

CANTON TOWNSHIP  
STARK COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Cash receipts:</b>					
Local taxes	\$151,447	\$1,107,374			\$1,258,821
Intergovernmental	434,468	276,168	\$63,333		773,969
Special assessments		63,695			63,695
Charges for services		94,482			94,482
Licenses, permits, and fees		21,801			21,801
Interest	23,303	6,640			29,943
Other	10,308	18,983	3,599	\$22,540	55,430
<b>Total cash receipts</b>	<b>619,526</b>	<b>1,589,143</b>	<b>66,932</b>	<b>22,540</b>	<b>2,298,141</b>
<b>Cash disbursements:</b>					
Current:					
General government	426,908	73,028			499,936
Public safety		645,748		10,540	656,288
Public works	78,330	678,384	4,142		760,856
Health	39,321				39,321
Miscellaneous		9,638			9,638
Capital outlay	827	231,638	63,333		295,798
<b>Total cash disbursements</b>	<b>545,386</b>	<b>1,638,436</b>	<b>67,475</b>	<b>10,540</b>	<b>2,261,837</b>
Total cash receipts over/(under) cash disbursements	74,140	(49,293)	(543)	12,000	36,304
<b>Other financing receipts/(disbursements):</b>					
Advances in	1,000	20,500			21,500
Advances out	(20,500)	(1,000)			(21,500)
Operating transfers in		111,100			111,100
Operating transfers out	(111,100)				(111,100)
<b>Total other financing receipts/(disbursements)</b>	<b>(130,600)</b>	<b>130,600</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(56,460)	81,307	(543)	12,000	36,304
Fund cash balances, January 1	227,182	343,775	(3,213)	0	567,744
<b>Fund cash balances, December 31</b>	<b>\$170,722</b>	<b>\$425,082</b>	<b>(\$3,756)</b>	<b>\$12,000</b>	<b>\$604,048</b>
Reserves for encumbrances, December 31	\$8,785	\$50,899	\$0	\$0	\$59,684

The notes to the financial statements are an integral part of this statement.



**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Canton Township, Stark County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, fire protection and ambulance services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Township deposits cash in an interest bearing checking account and overnight money market sweep account.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund - This fund receives State motor vehicle license tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Fire District Tax Fund - This fund receives property tax levy revenues to operate the fire department.

Fire Special Levy Tax Fund - This fund receives property tax levy revenues to purchase and maintain fire department equipment.

Ambulance and Emergency Medical Fund - This fund receives charges for services to provide ambulance and emergency medical services.

Lighting Assessment Fund - This fund receives special assessment revenues to provide street lighting.

Park Fund - This fund receives state grants and local monies to construct a park.

Permissive Motor Vehicle License Fund - This fund receives permissive motor vehicle taxes to maintain and repair Township roads and bridges.

**3. Capital Projects Funds**

The Capital Projects Funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Fund:

Cheyenne Bridge Fund - This fund is used to account for proceeds from the Ohio Public Works Commission Issue II funds. These funds are being used to construct a bridge.

**4. Fiduciary Fund (Trust Fund)**

This fund is used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Fire Loss Claim Fund – The Township receives a portion of the fire loss claim from insurance company reimbursements to insure residents who suffer a loss have properly restored their property. The money is held by the Township and released to the resident upon completion of the restoration of the property damage.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to reflect certain items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property Plant and Equipment**

Acquisitions of property plant and equipment are recorded as (capital outlay) disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Demand deposits	(\$117,601)	(\$77,720)
Money Market Sweep Account	909,286	681,768
Total deposits and investments	\$791,685	\$604,048

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$576,527	\$675,520	\$98,993
Special Revenue	1,794,207	1,720,883	(73,324)
Capital Projects	1,203,833	515,577	(688,256)
Expendable Trust	20,000	0	(20,000)
Total	\$3,594,567	\$2,911,980	(\$682,587)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$587,718	\$531,507	\$56,211
Special Revenue	2,049,510	1,729,373	320,137
Capital Projects	162,850	515,577	(352,727)
Expendable Trust	32,000	12,000	20,000
Total	\$2,832,078	\$2,788,457	\$43,621

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$739,410	\$619,526	(\$119,884)
Special Revenue	1,781,622	1,700,243	(81,379)
Capital Projects	645,000	66,932	(578,068)
Expendable Trust	22,540	22,540	0
Total	\$3,188,572	\$2,409,241	(\$779,331)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$757,521	\$665,271	\$92,250
Special Revenue	2,213,691	1,689,335	524,356
Capital Projects	651,400	67,475	583,925
Expendable Trust	0	10,540	(10,540)
Total	\$3,622,612	\$2,432,621	\$1,189,991

**4. NONCOMPLIANCE**

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not always certify the availability of funds prior to the obligation of expenditures.

Contrary to Ohio Rev. Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority by approximately \$10,500 in the Expendable Trust Fire Loss Claim Fund at December 31, 2000 and by approximately \$34,000 in the Special Revenue Park Fund and by \$353,000 in the Capital Projects Cheyenne Bridge Fund at December 31, 2001.

Contrary to Ohio Rev. Code Section 5705.10, for years ended December 31, 2001 and 2000 the Special Revenue Lighting Assessment Fund had deficit fund balances of \$89,940 and \$66,527, respectively. For both years ended December 31, 2001 and 2000, the Capital Projects Cheyenne Bridge Fund had a fund cash deficit of \$7,741. For the year December 31, 2001, the Special Revenue Motor Vehicle License Tax Fund had a fund cash deficit of \$9,773. In addition, certain receipts approximating \$122,000 were initially posted to incorrect funds.

Contrary to Ohio Rev. Code Section 5705.39, total appropriations exceeded total estimated resources at December 31, 2000, in the following Special Revenue Funds: Motor Vehicle License Tax Fund, Road and Bridge Fund, Fire District Fund, Park Fund, and Lighting Assessment Fund and the Capital Projects Cheyenne Bridge Fund. At December 31, 2001, total appropriations exceeded total estimated resources in the Special Revenue Fire Levy Fund and Lighting Assessment Fund. In addition, the Township did not always obtain certificates from the County Auditor that appropriations from each fund did not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. NONCOMPLIANCE (Continued)**

Contrary to Ohio Rev. Code Section 5705.40, appropriations were increased in the Special Revenue Park Fund by \$20,000 and Expendable Trust Fire Loss Claim Fund by \$10,540 during fiscal year 2000 without formal approval of the Board of Trustees. Appropriations were increased in the General Fund by \$30,500, Special Revenue Park Fund by \$63,000, during fiscal year 2001 without formal approval of the Board of Trustees.

Contrary to Ohio Rev. Code Section 5705.42, the Township did not initially record Issue II funds received from the Ohio Public Works Commission during 2001 and 2000.

Contrary to the Township's written investment policy dated September 9, 1996, the Township invested monies in an overnight money market sweep account.

Contrary to Ohio Rev. Code Section 135.12, the Township did not enter into a depository agreement with the approved public depositories until September 2001.

Contrary to Ohio Rev. Code Section 135.22, the Clerk/Treasurer did not attend and/or complete any annual continuing education programs provided by the Treasurer of State until 2001 and had investments in an overnight sweep account during 2001 and 2000.

Contrary to Ohio Rev. Code Section 149.351, requires that public records not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for the Ohio Rev. Code Sections 148.38 to 149.42. Several public records were not on file and could not be located by Township personnel.

Contrary to Ohio Rev. Code Section 515.11, the Board of Trustees did not certify Special Revenue Lighting Assessment Fund special assessments.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Property and general liability;
- Vehicles;
- Inland Marine;
- Wrongful Acts;
- Electronic Data Processing; and
- Crime.

**8. CONTINGENT LIABILITY**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**9. STARK COUNCIL OF GOVERNMENTS**

The Stark Council of Governments (SCOG) is a jointly governed organization. SCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. Currently, SCOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab. SCOG is governed by its membership, including Stark County, and other cities, villages, and townships. The membership elects a nine member executive committee. Based on recommendations of the executive committee, the membership approves its own budget, appoints personnel and performs accounting and finance related activities. Continued existence of the agency is not dependent on the Township's continued participation nor does the Township have an equity interest in the agency. The agency is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the Township. Complete financial statements may be obtained from the Stark Council of Governments, P.O. Box 21451, Canton, Ohio 44701-1451.

**CANTON TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**10. STARK COUNTY REGIONAL PLANNING COMMISSION**

The Township participates in the Stark County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County, and other cities, villages, and townships. The principal aim of the Commission is to provide comprehensive planning, both long-term and short-term, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The Township has no financial responsibility for any the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.





**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Canton Township  
Stark County  
4711 Central Ave. South  
Canton, Ohio 44707

To the Board of Trustees:

We have audited the accompanying financial statements of Canton Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 7, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-41276-001 through 2001-41276-011.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 7, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-41276-012 and 2001-41276-013.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-41276-012 and 2001-41276-013 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 7, 2002.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

August 7, 2002

**CANTON TOWNSHIP  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**NONCOMPLIANCE CITATIONS**

**FINDING NUMBER 2001-41276-001**

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereto.

This section also provides for two "exceptions" to the above requirement:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

During 2001 and 2000, 42% and 55% respectively, of the expenditures tested were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Township should inform all Township employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Township should implement the use of Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

**FINDING NUMBER 2001-41276-002**

**Ohio Rev. Code Section 5705.41(B)** requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2000, expenditures plus outstanding encumbrances exceeded appropriations by approximately \$10,500 in the Expendable Trust Fire Loss Claim Fund as the Township did not appropriate for the entire fund. At December 31, 2001, expenditures plus outstanding encumbrances exceeded appropriations by approximately \$34,000 (18% of fund expenditures) in the Special Revenue Park Fund and by \$353,000 (68% of fund expenditures) in the Capital Projects Cheyenne Bridge Fund.

The Clerk should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level to avoid potential overspending.

**NONCOMPLIANCE CITATIONS (Continued)**

**FINDING NUMBER 2001-41276-003**

**Ohio Rev. Code Section 5705.39** requires that total appropriations from each fund not exceed total estimated fund resources from each fund. This section also requires the Township to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2000, total appropriations exceeded total estimated resources at year end in the following Special Revenue Funds (rounded):

Fund	Estimated Resources	Appropriations	Variance
Motor Vehicle License Tax	\$55,000	\$60,000	(\$5,000)
Road and Bridge	764,000	789,000	(25,000)
Fire District Tax	399,000	441,000	(42,000)
Park	152,000	207,000	(55,000)
Lighting Assessment	(29,000)	62,000	(91,000)
Public Works	642,000	651,000	(9,000)

At December 31, 2001, total appropriations exceeded total estimated resources at year end in the following Special Revenue Funds (rounded):

	Estimated Resources	Appropriations	Variance
Fire Special Levy Tax	\$387,000	\$392,000	(\$5,000)
Lighting Assessment	32,000	108,000	(76,000)

In addition, the Township did not always obtain certificates from the County Auditor that appropriations from each fund did not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments. The Board of Trustees should monitor appropriations versus estimated resources to help avoid overspending. In addition, the Clerk/Treasurer should obtain the required certificate from the County Auditor when amending appropriations and estimated resources.

**FINDING NUMBER 2001-41276-004**

**Ohio Rev. Code Section 5705.40** allows that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another. Subject to certain limitations, the annual appropriation measure may contain an appropriation for contingencies.

**NONCOMPLIANCE CITATIONS (Continued)**

**FINDING NUMBER 2001-41276-004  
(Continued)**

Appropriations were increased by \$20,000 in the Special Revenue Park Fund and by \$10,540 in the Expendable Trust Fire Loss Claim Fund during fiscal year 2000 without formal approval of the Board of Trustees. Similarly, appropriations were also increased by \$30,500 in the General Fund, and by \$63,000 in the Special Revenue Park Fund during fiscal year 2001 without formal approval of the Board of Trustees. These amounts range from 5% to 100% of fund appropriations. Consequently, these supplemental appropriations were not included Note No. 3 to the financial statements. All supplemental appropriations should be officially approved by the Board of Trustees and formally documented in the minutes of the Township.

**FINDING NUMBER 2001-41276-005**

**Ohio Rev. Code Section 5705.42** requires, in part, that when the state or any department, division, agency, authority or unit makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity or function of such subdivision, the amount is deemed appropriated and shall be recorded as such by the subdivision.

The Township did not initially record Issue II funds received on its behalf from the Ohio Public Works Commission in the amount of \$515,577 during 2001 and \$63,333 during 2000. As a result, an adjustment was made to record the Issue II financial activity on the Township's ledgers and combined financial statements. The Clerk should record all activity related to Issue II funds.

**FINDING NUMBER 2001-41276-006**

**Ohio Rev. Code Section 515.11** requires, in part, that the Board of Trustees shall by resolution, assess against the benefited lots and parcels of land in the taxing district such portion of the costs of furnishing and maintaining the lights as does not exceed the special benefits resulting from the lighting, and shall certify such costs to the County Auditor.

The Board of Trustees did not certify special assessments for the Special Revenue Lighting Assessment Fund to the County Auditor in 2000 which would have been collected by the County Treasurer and distributed by the County Auditor in 2001. As a result, according to estimates by the County Auditor's Office, the Township did not receive revenue approximating \$64,000 in 2001. The Board of Trustees should certify the special assessment total for 2003 to the County Auditor prior to the first Monday in September 2002.

**FINDING NUMBER 2001-41276-007**

**Canton Township Investment Policy** dated September 9, 1996 requires that all monies to be used for investment purposes are to be invested in Certificates of Deposits with maturity dates of 14 days to 30 days from date of issue.

The Township invested monies in an overnight money market sweep account which conflicts with the Township's investment policy adopted by the Board of Trustees on September 9, 1996. At December 31, 2000 and 2001, the amounts invested in the overnight money market sweep account were \$681,768 and \$909,286, respectively. The Board of Trustees should monitor the Clerk's investments to ensure that Township investments are limited to those permitted by Ohio Rev. Code Section 135.14 and the Township's investment policy. The Board of Trustees should also review the Clerk's monthly investment statements and sign/date the statements to evidence their review.

**NONCOMPLIANCE CITATIONS (Continued)**

**FINDING NUMBER 2001-41276-008**

**Ohio Rev. Code Section 5705.10** states in part that money paid into any fund shall be used only for the purpose for which such fund is established.

For the years ended December 31, 2001 and 2000, the Special Revenue Lighting Assessment Fund had fund cash deficits of \$89,940 and \$66,527, respectively. For both years ended December 31, 2001 and 2000, the Capital Projects Cheyenne Bridge Fund had a fund cash deficit of \$7,741. For the year ended December 31, 2001, the Special Revenue Motor Vehicle License Tax Fund had a fund cash deficit of \$9,773.

In addition, the Clerk incorrectly posted a personal property and homestead and rollback settlement to the General Fund rather than distributing the amounts to certain Special Revenue funds. The Clerk also incorrectly posted Special Revenue Permissive License Taxes to the General Fund. These posting errors approximated \$122,000. The financial statements and the Township's accounting records have been adjusted to decrease the General Fund receipts and increase the respective Special Revenue Fund receipts accordingly to reflect the receipts within the appropriate fund.

A negative cash fund balance and posting receipts to incorrect funds indicates money from another fund was used to pay for the obligations of these funds. The Board of Trustees should monitor the Township's monthly financial statement activity to ensure receipts are posted accurately and help avoid cash fund deficits. When the Township determines that certain funds are in need of cash on a short term basis, the Township should consider the use of advances as discussed in Auditor of State Bulletin 97-003.

**FINDING NUMBER 2001-41276-009**

**Ohio Rev. Code Section 149.351** requires that public records not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for the Ohio Rev. Code Sections 148.38 to 149.42. The following public records were not on file and could not be located by Township personnel; however, we tested activity related to these public records using alternate auditing procedures:

The Clerk was unable to locate the following Township records:

- Federal tax withholding: Quarterly Federal Tax Returns (forms 941): second quarter 2001 and first, third and fourth quarters 2000.
- State tax withholding: "Ohio Tax" system generated reports documenting the amount of state tax withheld from employees and submitted to the Treasurer of State. Ohio State Tax Reconciliation Forms for 2000 and 2001.
- Employee Leave Benefit Balance Reports: The Clerk did not print and maintain copies of system generated employee leave reports documenting beginning sick/vacation balances, accrual, usage, and ending balances.
- Invoices for February 7, 2000 disbursement to American Electric Power for electric services and September 21, 2000 disbursement to GE Capital for a copier lease payment.
- Township receipt book for period of January 01, 2000 through February 28, 2000.
- Purchase orders #90579 December 22, 1999 and #90624 March 2, 2000.
- Approved Request for Leave Forms for 40 hours of vacation leave paid during payroll period ending May 6, 2001.
- January 2002 canceled checks returned to the Township from Keybank Corp.

**NONCOMPLIANCE CITATIONS (Continued)**

**FINDING NUMBER 2001-41276-009 (Continued)**

The Board of Trustees must ensure that all Township public records are maintained in accordance with the above Section.

A similar matter was reported in the Management Letter of our audit of the 1999 and 1998 financial statements.

**FINDING NUMBER 2001-41276-0010**

**Ohio Rev. Code Section 135.12** states that public governing boards of subdivisions shall designate public depositories and award the public monies of the subdivision to and among the public depositories so designated for a period of five years.

The Township's agreement with the depository institution expired on August 21, 1999 and the Township did not have a depository contract on file to cover the period from August 21, 1999 until a new agreement was entered on September 4, 2001. The Board of Trustees should ensure that the Township's depository agreements do not lapse.

**FINDING NUMBER 2001-41276-011**

**Ohio Rev. Code Section 135.22** requires the Clerk/Treasurer to complete annual continuing education provided by the Treasurer of State. Without such training, the Treasurer is limited to investments in interim deposits and STAR Ohio.

The Clerk did not attend and/or complete any annual continuing education programs provided by the Treasurer of State until June 27, 2001 and invested Township funds in an overnight money market sweep account (not an interim deposit under the above section). This investment represented 95% and 97% of the 2001 and 2000 Township's investments. The Clerk should either attend continuing education programs or limit the Township's investments to those which do not require training under Ohio Rev. Code Section 135.22. The Board of Trustees should monitor the Clerk to ensure the Clerk completes the annual continuing education programs as required by Ohio Rev. Code Section 135.22.

**MATERIAL WEAKNESSES**

**FINDING NUMBER 2001-41276-012**

**Reports and Records**

Reports detailing the Township's actual receipts and disbursements in comparison to budgeted amounts were not presented to the Board of Trustees for their review and subsequent approval. The Clerk did not print month-to-date cash journal, receipts and appropriation ledgers until they were requested by us for audit. Consequently, Township officials were not provided with timely information to enable them to monitor the Township's financial position and operating results. In addition, estimated receipts were not posted to each receipt account for comparison to actual receipts. As a result, management could not, on a monthly basis, effectively evaluate whether financial resources were available to meet appropriations.

**MATERIAL WEAKNESSES (Continued)**

**FINDING NUMBER 2001-41276-012 (Continued)**

The Board of Trustees should request and the Clerk should submit to the Board of Trustees, on a monthly basis, all pertinent financial reports concerning the Township. These reports should include the month-to-date, year-to-date budgeted receipts versus the month-to-date, year-to-date actual revenue and the month-to-date, year-to-date appropriations versus the actual expenditures. Each month, the Clerk should present the cash journal, the monthly detail of receipts and expenditures, the pending and paid warrant listings, and the monthly bank reconciliation to the Board of Trustees for review and approval. This information is critical to management's decision making process and monitoring financial operations.

In addition, the Clerk should post certified estimated receipts to Township ledgers timely which will enable management to effectively monitor receipt collections and assist the Board of Trustees with budget and cash management decisions.

**FINDING NUMBER 2001-41276-013**

**Monthly Cash Reconciliation Process**

We noted the following issues during our testing of the Township's 2000 and 2001 monthly cash reconciliations:

- Although the Clerk attempted to reconcile the bank balance to the book balance for each month, several reconciling items were carried month after month and not recorded to the Township ledgers. Prior period adjustments which were identified as stale dated and voided checks were not cleared until the December 31, 2001 reconciliation. As a result, the Clerk did not accurately report Township fund balances during 2000 and 2001.
- The Clerk's monthly bank statements, outstanding checklists, and accounting records were not maintained in an orderly manner.
- A June 2001 Rollback/Homestead receipt in the amount of \$53,748 was carried as a reconciling item until September 2001.

Due to the Clerk's inability to accurately and completely reconcile the Township's cash and investment balances, the above items exposed the Township to certain risks of loss and required numerous adjustments to the financial statements. The Clerk should:

- Prepare accurate and timely monthly bank reconciliations to include monthly posting of earned interest, deposits in transit, and NSF checks. These monthly bank reconciliations should be reviewed and approved by the Board of Trustees
- Compare the current month's outstanding checklist to the previous month's outstanding checklist for errors and omissions, and follow-up on long outstanding checks listed on the monthly bank reconciliation
- Maintain supporting documentation and explanations for adjustments made to the Township's accounting records
- Maintain adequate documentation for the disposition of voided checks which includes proper defacing of the voided check by removing the signature block

This will help ensure Township fund balances reflected on the Township's cash journal are accurately reported; and that all reconciling items are properly supported, as well as minimize the risk of loss.



**CANTON TOWNSHIP  
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
1999-41276-001	<b>Ohio Rev. Code Section 5705.10</b> During 1999 and 1998, the Township had several Special Revenue and Capital Projects with cash deficit fund balances at various points in time	No	Not Corrected. Reissued as Finding Number 2001-41276-008.
1999-41276-002	<b>Ohio Rev. Code Section 5705.16</b> During 1999 and 1998, the board did not document their approval of transfers within the minutes.	No	Partially Corrected. A Management Letter comment was made for immaterial transfer amounts not approved within the Township's minutes.
1999-41276-003	<b>Ohio Rev. Code Section 5705.38</b> A signed completed copy of the 1998 Annual Appropriations Resolution could not be located by Township personnel.	Yes	Corrected
1999-41276-004	<b>Ohio Rev. Code Section 5705.39</b> During 1999, total appropriations exceeded total estimated resources at year end in the Special Revenue Fire District Tax Fund.	No	Not Corrected. Reissued as Finding Number 2001-41276-003.
1999-41276-005	<b>Ohio Rev. Code 5705.41 (B)</b> In 1999, the Township had expenditures which exceeded appropriations in the Special Revenue Ambulance and Emergency Medical Funds.	No	Not Corrected. Reissued as Finding Number 2001-41276-002.

Canton Township  
 Stark County  
 Schedule of Prior Audit Findings  
 Page 2

1999-41276-006	<b>Ohio Rev. Code 5705.41 (D)</b> During 1999 and 1998, the Township Clerk did not always certify the availability of funds prior to commitments being made.	No	Not Corrected. Reissued as Finding Number 2001-41276-001.
1999-41276-007	<b>Ohio Rev. Code Section 5705.42</b> The Township did not initially record Issue II funds received on their behalf from the Ohio Public Works Commission.	No	Not Corrected. Reissued as Finding Number 2001-41276-005.
1999-41276-008	<b>Ohio Rev. Code Section 515.11</b> The Board of Trustees did not certify special assessments for the Special Revenue Lighting Assessment Fund to the County Auditor in 1997 or 1999.	No	Partially corrected. Reissued as Finding Number 2001-41276-006 for not certifying assessments for the Special Lighting Assessment Fund in 2000 for collections in 2001.
1999-41276-009	<b>Ohio Rev. Code Section 742.32</b> The Township did not remit the Police and Fire Disability and Pension Fund withholdings within the required time.	Yes	Partially corrected. A Management Letter comment was made.
1999-41276-010	<b>26 C.F.R. Section 1.6041-1</b> The Township did not prepare any Form 1099-MISC for 1998.	Yes	Corrected.
1999-41276-011	<b>Ohio Rev. Code Section 135.14</b> The Township invested monies in an overnight money market sweep account which conflicts with the Township's investment policy adopted by the Board of Trustees on September 9, 1996.	No	Not Corrected. Reissued as Finding Number 2001-41276-007.
1999-41276-012	<b>Ohio Rev. Code Section 135.12</b> The Township did not have a depository contract on file to cover a period after August 21, 1999, nor was approval of a depository contract, after that date, evidenced in the Board of Trustee minutes.	No	Partially Corrected. The Township entered into a depository contract on 9/4/01. Reissued as Finding Number 2001-41276-010.
1999-41276-013	<b>Ohio Rev. Code Section 135.22</b> During 1999 and 1998, the Clerk did not attend and/or complete any annual continuing education programs provided by the Treasurer of State and still invested funds in an overnight money market sweep account.	No	Partially Corrected. The Clerk did not attend continuing education programs provided by the Treasurer of State until September 2001. Reissued as Finding Number 2001-41276-011.

1999-41276-014	<b>Ohio Admin. Code Section 117-3-09</b> The Clerk did not post the estimated revenue to be received by account or receipt number to the cash journal nor were the receipts totaled by month.	No	Not Corrected. Reissued as Finding Number 2001-41276-012.
1999-41276-015	<b>Ohio Admin. Code Section 117-3-12</b> The Clerk did not prepare pay-ins for the Township activity for 1998.	No	Partially Corrected. A management letter comment was made regarding issuing a pay-in receipt to departments remitting outside collections.
1999-41276-016	<b>Accounting System/Monthly Cash Reconciliation Process</b> We noted several accounting errors and deficiencies during our testing of the Township's 1999 and 1998 monthly cash reconciliations, fund ledger, receipt ledger, appropriation ledger and check register.	No	Not Corrected. Reissued as Finding Number 2001-41276-013.
1999-41276-017	<b>Reports and Records</b> Reports detailing the Township's actual receipts and disbursements in comparison to budgeted amounts were not presented to the Board of Trustees for their review and subsequent approval. In addition, the minute records remained significantly incomplete throughout the audit period with the majority of official records prepared by the Clerk/Treasurer not signed or reviewed by the Board of Trustees after a reasonable length of time.	No	Partially corrected. Reissued as Finding Number 2001-41276-012 regarding presentation of budgeted receipts to actual. Minutes records were prepared and signed by the Board of Trustees within a reasonable period of time.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**CANTON TOWNSHIP**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 8, 2002**